UNRESTRICTED PRE-SEED FUND
UNRESTRICTED PRE-SEED FUND

Overview

Objective: Seed startups in the composite cluster to accelerate industry growth, building on the emerging ecosystem with unrestricted seed funds that do not require a match.

Target: $500,000 target ($300k minimum) unrestricted seed fund
Unrestricted seed funds that don't require outside match will make a meaningful start to growing early stage companies and help to fill a problem in Utah and elsewhere of the paucity of very early stage capital that is willing to take significant technical risk.

Successful companies in this sector will have deep, innovative technology with more technical challenges and potentially longer time to market.

Getting seed funding into these companies very early, without requiring a match, will help them keep moving forward while pursuing other funds, including SBIR and early stage private investors and will help fill gaps in funding as well as engender confidence on the part of other investors.
UNRESTRICTED PRE-SEED FUND

Strategy

$500k target ($300k minimum) unrestricted pre-seed fund - no match, purely from grant

- Purpose: to seed the market place
- Strategy: Invest small amounts of capital in a large number of seed stage technologies and companies
- Deal flow: Startup community, Universities and Corporation development divisions
- Investment Approach: $5- $30K seed stage investments
- Matching options: University commercialization offices, federal programs, State of Utah programs, other private investors like venture capital funds and angel investors
Overview

The Seed Equity Capital Pool (Equity Pool) will be a venture capital fund matching its funds with third party capital. This Equity Pool will adhere to a 2:1 match assuring that any grant award will leverage its capital and increase its longevity and potential for healthy returns.

The Equity Pool will seek to invest in diversified pool of early stage and maturing composite companies based in Utah. These companies should be the foundation of Utah’s composite industry over the next 10 years providing technology, jobs, and the ideas that become Utah’s next wave of composite start-ups.

The Equity Pool will seek to become an evergreen pool of capital in order to assist with decades of early stage and growth capital. A consistent and long lasting pool of capital focused on the composite industry will play a major role in formatting Utah’s composite industry.
## Purpose
- Grow the Utah composite ecosystem through capital investment
- Assist early stage but maturing companies with capital
- Provide follow-on capital to the promising technologies emerging from the unrestricted seed fund
- Leverage grant award with private sector capital
- Build a portfolio of companies that could return capital and create an evergreen pool of capital

## Strategy
- Leverage grant award through investing alongside private capital
  - Receive investment from third parties to enlarge the capital pool
  - Obtain co-investment relationships with private funds
  - Lead transactions that attract outside capital
- Build a strong foundation of Utah based composite companies
- Assist in the creation of healthy companies with high paying jobs and generate tax revenue
- Target a portfolio that will generate healthy returns creating an evergreen pool of capital
Deal Flow

- Seed Equity Capital Pool will have a number of sources of deal flow
  - The unrestricted seed fund
  - Universities: UofU, Utah State, Weber, UVU, BYU and others
  - Corporations
  - Start-up community and entrepreneurs
  - Co-investors and other capital funds
  - Recruitment of small businesses from out of state
  - Banks and other lending institutions

Support: Matching Funds for Each Investment

- In an effort to extend the life and maximize the grant award’s impact the Seed Equity Capital Pool will adhere to a 2:1 matching ratio for all expenditures
  - TCIP
  - Utah Fund of Funds
  - USBGI
  - Utah Based Foundations
  - Grow Utah
  - Ogden/No. Utah redevelopment
  - USTAR
  - Angel Groups
  - Corporations development divisions
Objective: Help strengthen Utah's sophisticated startups by providing matching funds when a firm receives an SBIR award. The goal is to help these firms be eligible for follow-on funds from the Agency that accrue when a company gets a match.

Target: $500K automatic match to SBIR grants to target companies.

The Federal Government’s Small Business Innovation Research (SBIR) and Small Business Technology Transfer (SSTR) grant programs provide more than $2.7 billion dollars annually.

SBIR/STTR funding doesn’t require equity participation. The Deputy Director of one of the SBIR programs has said that “Utah has great potential and has not fully utilized the program.”

SBIR/STTR offer contracts ranging from a $75,000 to $150,000 Phase I contract for 6 months up to a $1 million or more Phase II contract over 2 years.

USTAR opened the SBIR-STTR Assistance Center (SSAC) in 2008. SSAC information and assistance helped Utah companies win more than 100 Utah businesses secure nearly $9 million in federal grants to the state across 20 awards.
$500K automatic match to SBIR grants to target companies

- Utah’s SBIR environment
  - Untapped potential. SBIR provides up to $1 million in non-dilutive capital
  - Dramatically reduces technical risk – more attractive to investors
- SBIR matching programs
  - Many other states offer an “automatic” match to SBIR/STTR awardees
- Benefit to Utah
  - Match from the State makes many companies eligible for further Federal funds (such as NSF Phase IB funds – 50 cents on the dollar)
- Benefit to Seed Fund and Blind pool fund
  - More strongly establishes new companies before seeking Seed Funding
  - Accelerates new company growth and provides confidence to investors
- Benefit to creating evergreen pool of capital
  - Stronger early investments yield better returns
CRA LOAN PROGRAM
Innovation Center Loan Fund

- Lending resources provides up to $29MM
- Bank consortium
  - American Express, CIT, GE Capital, GE Retail, Morgan Stanley, Zions
  - Letters of Interest/Intent
- Principles
  - Products qualify for CRA credit
  - Recipients related to Innovation Center activities
  - Deployed in transit oriented or adjacent locations
Lending Products

- Built Environment
  - Up to $15 million at 2:1 match
    - New Markets Tax Credits

- Equipment Matching Loan
  - Up to $4 million at 1:1 match
    - Equipment for education/training and small businesses

- Innovation Center Loan Fund
  - Up to $10 million at up to 15:1 match
    - Small Business Venture Fund
    - Purchase Order Line of Credit
    - Equipment Education/Training Loan
    - Entrepreneur Training Loan
### Loan Fund Capital Stack

<table>
<thead>
<tr>
<th>Tier 2 Loan Loss Reserve (LLR)</th>
<th>Participating Municipality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Loan Loss Reserve (LLR)</td>
<td>Federal and State</td>
</tr>
</tbody>
</table>

**CRA LOAN PROGRAM**

**Bank Consortium**
AMEX, CIT, GE Capital, GE Retail, Morgan Stanley, Zions
CRA LOAN PROGRAM

Organizational Structure

- Grant Administrator
- Fund Manager
- Governing Board/Committee
- Financial Entity Partner
Risk Mitigation

- Matching Resources

- Loan Loss Reserve
  - First 10-20% of loan loss paid by grants
  - Next 10-20% of loss local participants
  - Additional losses shared pari-passu
  - Returns replace reserve before any payout

- Annual interest payments to participants

- 3-5 year pilot deployment